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C O N F I D E N T I A L SECTION 01 OF 02 RABAT 001652

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SUBJECT: MOROCCAN PRIME MINISTER UNVEILS AMBITIOUS BUT
VAGUE ECONOMIC PROGRAM

REF: RABAT 1647

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Classified By: Economic Counselor Stuart Smith, reasons 1.4 (b) & (d).

11. (SBU) Summary: In his inaugural speech to Parliament on October 24, incoming Prime Minister Abbas El-Fassi outlined an ambitious but vague economic program that largely represents continuation of efforts undertaken by Prime Minister Jettou and his team. Fassi pledged to seek to raise Morocco's growth rate from its recent average of 5 percent to six percent a year, reduce employment to 7 percent by creating 250,000 new jobs each year, reform Morocco's agricultural sector, devolve planning authority to the country's regions, and develop "a new social contract." These initiatives largely track with priorities the King identified in his Throne Day speech. The speech was the sole topic at an extended Council of Ministers' meeting chaired by the King in Marrakech earlier on October 24, as a result of which El-Fassi was two hours late in appearing before Parliament. Opposition leaders criticized the Prime Minister for this "slight" to Parliament, and also dismissed the speech, characterizing it as a "list of promises" rather than a coherent program. End Summary.

12. (U) Prime Minister El-Fassi's inaugural discourse strongly accentuated economic and social initiatives, but also touched on political priorities including the Western Sahara and reform of the Moroccan press code. Not surprisingly, given that his government is based on the same coalition (save for the Mouvement Populaire's departure to the ranks of the opposition) and includes many familiar faces, much of the government's roadmap represented continuation of the priorities of the outgoing government of Driss Jettou. Thus the goal of enhanced growth and reduced unemployment (with targets of 6 percent annually for the former and 7 percent for the latter at the end of the government's term in 2012), will be pursued through actions to support small and medium-sized companies, and continuation and intensification of the "grands chantiers" (or major projects) launched in recent years. The government also pledged to "make Morocco a platform for investment and exports" by improving the business environment and doubling investment during its term, to fully implement and extend the Vision 2010 program for tourism, and to continue extensive construction of "social housing" to replace the shantytowns that dot the country.

13. (U) El-Fassi promised increased attention to a number of

the areas where the outgoing government's record was seen as weak, including "urgent reform" of Morocco's judiciary (albeit without mentioning specific proposals), and further simplification and lightening of Morocco's onerous fiscal regime. As reflected in its 2008 budget proposal, the government will reduce the company tax from 35 to 30 percent (from 39.5 to 35 percent for banks), and ultimately plans to reduce Morocco's 20 percent value added tax as well. Like most preceding governments, El-Fassi also pledged action to reform the country's tangled system of subsidies for basic commodities like fuel, gas, flour and bread. At the same time, cognizant of recent protests over price increases for many such basic goods, he promised that 19 billion dirhams (approximately 2.4 billion USD) would be devoted to the system, an amount equal to 2/3's of the government's planned investments in 2008. El Fassi promised, however, that this total would be "rationally managed" to ensure it reached its intended beneficiaries.

¶4. (U) This increased expenditure on compensation is one part of what El-Fassi termed a "new social contract," aimed at improving the purchasing power and quality of life of the Moroccan public by increasing salaries and holding the line on prices. The vision was short on details, but will apparently be based in part on revitalizing the country's competition council, reducing the number of intermediaries in distribution networks (through the Rawaj program for internal commerce) and ultimately raising salaries for the lowest-paid workers. Another new emphasis was on agricultural reform, committing the government to a "new approach" that will take account of recent droughts, water shortages, and the consequences of Morocco's free trade agreements.

¶5. (U) Finally, El-Fassi also outlined a new approach to planning for development, arguing that too often programs have been introduced from the top down, with the result that

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they fail to take into account specific local conditions. His government, he said, would turn to a new system of contracts between the national government and the regions, to permit the regions themselves to identify their priorities, and then formulate national strategy based on these proposals.

¶6. (SBU) Political topics were only briefly touched upon in the course of El-Fassi's 90 minute discourse. Beyond his commitment to accelerate judicial reform, he made ritual mention of Morocco's Western Sahara policy, and pledged to continue the country's democratic opening, including through adoption of a new press code. With many reports crediting the government's composition to Palace intervention (reftel), the Palace's intent to closely monitor the government's actions was evident in the fact that the speech was the sole topic of an extended Council of Ministers' meeting chaired by the King in Marrakech. As a result, El-Fassi and the government were late in returning to Rabat to deliver the message, and kept deputies waiting for several hours.

¶7. (SBU) After the Council of Ministers' meeting, Abbas spoke briefly to the press, offering warm remarks about the need for good relations with Algeria. Though he did not focus on the issue in his speech, this was seen by observers as a positive gesture from a traditional hard-liner on Morocco-Algeria relations.

¶8. (C) Comment: There were many empty seats in a chamber that was filled in recent days for both the King and for French President Sarkozy. El-Fassi's speech was long on generalities and short on specifics, a fact seized upon by opposition critics. A spokesman for the Justice and Development Party indicted El-Fassi for "lack of vision and coherence," while members of the the Mouvement Populaire noted the absence of any "concrete proposals" in his discourse and speculated (uncharitably) that he "doesn't know what he said." There was also apparently some dissension in

the government camp about parts of the speech: press reports indicate that new Minister of Economy and Finance Mezouar took umbrage at some specific growth and tax provisions, feeling they had not been properly vetted with him and his department.

19. (C) Comment Continued: Whatever its perceived failures, the speech did make clear that while El-Fassi's government represents continuity rather than rupture, increased attention will be devoted to problem areas such as the judiciary, education, Morocco's fiscal regime, and agriculture. These are all areas that cry out for urgent attention, but the critical reaction El-Fassi received makes clear that he will not enjoy much of a honeymoon to pursue them. End Comment.

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